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UNCLAS SECTION 01 OF 02 ASHGABAT 001419

SENSITIVE
SIPDIS

STATE FOR SCA/CEN, EUR/ACE, EEB
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SUBJECT: TURKMENISTAN: DONORS TACKLE COORDINATION IN ACCOUNTING

REFORM

REF: ASHGABAT 1227

¶1. (U) Sensitive but unclassified. Not for public Internet.

¶2. (U) SUMMARY: On October 18, the United Nations Development Program (UNDP) organized a donor coordination meeting to discuss current and potential cooperation in support of Turkmenistan's eventual transition to International Financial Reporting Standards (IFRS). Representatives and technical experts from USAID, the European Union's TACIS program and the European Bank for Reconstruction and Development (EBRD) presented their recent accomplishments and outlined upcoming plans in this area. As a next step, participants agreed to develop a coordinated strategy for submission to the Government of Turkmenistan by December 2008. END SUMMARY.

¶3. (U) UNDP's Deputy Resident Representative Inita Paulovica presented accomplishments of its Accounting System Modernization project with the Central Bank of Turkmenistan (CBT), which received substantial technical support from USAID. Paulovica then circulated a draft strategy for introducing international accounting standards reform in Turkmenistan.

¶4. (U) The European Union's resident expert working with the Ministry of Finance discussed his public sector accounting project's recently approved inception report, and proposed that donors' efforts be integrated into the existing Technical Assistance Framework under the Ministry of Finance. This framework, which currently only reflects the activities of the EU and the International Monetary Fund (IMF), is intended to regulate international donors' contributions to the economic sector of Turkmenistan. Participants agreed this would be a practical approach.

¶5. (U) The USAID Country Representative reported that USAID recently extended its ongoing accounting reforms activities by eighteen months, and introduced Bearing Point as USAID's new implementing partner (NOTE: BearingPoint's expanded work under the "Economic Reform to Enhance Competitiveness" (EREC) project replaces the Pragma Corporation, which had implemented USAID's accounting reform programs since 2000. END NOTE). USAID will pursue two major directions during the extension: 1) assist the Central Bank of Turkmenistan to introduce IFRS by continuing support for the working groups previously established in cooperation with UNDP that are

tasked with implementing this transition, and 2) strengthen the system of accounting education and training, including cooperation with Turkmenistan's Supreme Council on Science and Technology (Supreme Council), to integrate the Certified International Professional Accounting (CIPA) curriculum into the higher educational institutions of Turkmenistan.

¶ 16. (U) Europa House Coordinator Emilio Valli said that Deputy Chairman for Economy and Finance Geldimyradov would like to upgrade the capacities of the existing Central Bank's training center, and asked if USAID could support this approach. USAID will continue previous support for this institution by providing training-of-trainers for its staff. The other major educational goal under the expansion will be to integrate the USAID-supported international accounting courses into the curriculum for higher education institutions. The first step will be to train lecturers at higher education institutions on International Financial Reporting Standards in cooperation with the Supreme Council, for which government approval was granted in early September 2008. (Reftel)

¶ 17. (U) As a next step, participants agreed to provide feedback to the draft international accounting system reform strategy and the timeline prepared by UNDP. The next donors meeting should be held within three weeks so that the donor-approved strategy could be submitted to the Government of Turkmenistan for approval.

¶ 18. (SBU) COMMENT: This meeting was a positive and much-needed step toward improved donor coordination on International Financial Reporting Standards implementation in Turkmenistan. Although USAID and UNDP have been actively cooperating since December 2007 on issues related to International Financial Reporting Standards implementation, which governs banks and the private sector,

ASHGABAT 00001419 002 OF 002

participants agreed to expand coordination efforts to include the European Union's recently launched program that focuses on public sector accounting. The transition to International Financial Reporting Standards is an enormous task that will require considerable donor support even after International Financial Reporting Standards is introduced, due to their evolving guidelines and standards. There is room at the table for more players. The Turkmenistan government is beginning to demonstrate serious will to undertake these reforms, so now is the time to coordinate donors' activities. END COMMENT.

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